

# OFFICE OF AUDITS & ADVISORY SERVICES



## HHSA FINANCIAL AND SUPPORT SERVICES DIVISION OFFICERS' TRANSITION AUDIT

### *FINAL REPORT*

Chief of Audits: [Juan R. Perez](#)  
Senior Audit Manager: [Laura R. Flores, CIA, CFE, CGAP](#)  
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# County of San Diego

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## FINANCE & GENERAL GOVERNMENT GROUP

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AUDITOR AND CONTROLLER  
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GRAND JURY  
HUMAN RESOURCES  
RETIREMENT ASSOCIATION  
TREASURER-TAX COLLECTOR

October 4, 2013

**TO:** Andrew Pease, Executive Finance Director  
HHSA – Financial and Support Services Division

**FROM:** Juan R. Perez  
Chief of Audits

**FINAL REPORT: HHSA Financial and Support Services Division Officers' Transition Audit**

Enclosed is our report on the HHSA Financial & Support Services Division Officers' Transition Audit (Van Mouwerik to Pease). We have reviewed your response to our recommendations and have attached them to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. The Office of Audits & Advisory Services will contact you or your designee near the end of each quarter to request your response.

Also attached is an example of the quarterly report that is required until all actions have been implemented. To obtain an electronic copy of this template, please contact Laura Flores at (858) 495-5654.

If you have any questions, please contact me at (858) 495-5661.

**JUAN R. PEREZ**  
Chief of Audits

AUD:APS:aps

Enclosure

c: Nick N. Macchione, Director, Health & Human Services Agency  
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller

## INTRODUCTION

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**Audit Objective**

The Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for the Health and Human Services Agency (HHS) Financial and Support Services Division (FSSD). The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, Michael Van Mouwerik, and incoming officer, Andrew Pease, took appropriate actions and filed required reports as of February 28, 2013 in compliance with California Codes, County regulatory requirements, and County policies and procedures. These requirements were explained in the instruction letter provided to each officer.

**Background**

The County Charter requires that the OAAS conduct such an audit when County officers leave or assume office to determine if certain affidavits, authorizations, disclosures, and reports are properly completed and processed. These actions provide for an orderly transition of officers, establish proper accountability for public assets and promote the County's General Management System (GMS), including its key disciplines of accountability, transparency and ethical conduct; fiscal stability; and continuous improvement and innovation.

**Audit Scope & Limitations**

The reports are the responsibility of the officer who signs them. The OAAS' responsibility is to provide an opinion on the reports based upon the audit.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.

**Methodology**

OAAS reviewed all the reports filed by the outgoing and incoming officers, obtained supporting documentation, and performed limited internal control testing.

## AUDIT RESULTS

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**Summary**

In our opinion, there is reasonable assurance that the outgoing and incoming officers took appropriate actions and filed required reports in compliance with California Codes, County regulatory requirements, and County policies and procedures in connection with an officer's transition. However, we noted the following exceptions:

**Finding I:****Accurate Trust Fund Key Information Would Facilitate the Accountability and Administration of Trust Funds**

OAAS tested a sample of trust fund transactions to determine whether the funds were used in compliance with the trust fund authority and purpose as documented in the Trust Fund/Agency Fund Application (TF/AF). Specifically, OAAS found the following:

- **Trust Fund No. 46710** – In accordance with TF/AF, the purpose of this trust fund is to account for overpayment collections for various Social Services Cash Programs collected by HHSA. However, OAAS identified other monies deposited into this trust fund, such as Child Support Services payments collected by the Department of Child Support Services.
- **Trust Fund No. 61141** – In accordance with TF/AF, the purpose of this trust fund is to maintain donations from various sources to HHSA. However, OAAS identified State share fees and collections deposited into this trust fund.

While OAAS determined that trust funds collections and disbursements were properly monitored and in accordance with the expenditure authority, the transactions processed were not in alignment with the trust fund purpose documented in the TF/AF application.

According to FSSD staff, they were aware that the trust fund purpose documented in the TF/AF application was not updated. HHSA is in the process of reviewing all of their trust funds information and addressing discrepancies between the key fund information and the current use of the fund.<sup>1</sup>

The TF/AF is used as a source of reference for financial reporting; therefore it is important that the information contained in this database is accurate.

During audit fieldwork, Trust Fund No. 61141 was closed and two separate trust funds were created to properly account for these funds: HHSA Donation Trust Fund No. 61148 and State Share Fees Collections Trust Fund no. 61149. Further, FSSD is currently working with the Auditor and Controller (A&C) to identify an appropriate corrective action for Trust Fund No. 46710.

**Recommendation:**

To increase efficiency in the administration of trust funds, FSSD should:

1. Ensure that training for the Establishment and Maintenance of Trust and Agency Funds developed by A&C and released to County departments in February 2013, is provided to staff responsible for trust fund administration.
2. Continue to work with A&C and identify an appropriate solution to address discrepancies noted on Trust Fund No. 46710.

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<sup>1</sup> OAAS Audit Report A11-012, Audit of Countywide Internal Agency Fund Administration, issued on September 2011 provided a recommendation to HHSA to review the key fund information for each Internal Agency Fund to ensure that it is complete, accurate, and supported by the fund authority.

**Finding II: Enhance Controls Over Minor Equipment by Affixing Property Decals**

OAAS found that out of 11 minor equipment assets selected for review, 6 assets (55%) did not have "County of San Diego" decals affixed to them. According to FSSD staff responsible for the administration of minor equipment, they were not aware of the requirement to affix decals on all minor equipment items.

The County of San Diego Administrative Manual 0050-02-01 – Control of Capital Assets and Minor Equipment requires that departments should establish a control system over all minor equipment and affix unnumbered "County of San Diego" decals to these assets.

Lack of property decals on minor equipment assets increases the risk of theft, loss, and misappropriation of assets.

**Recommendation:**

1. FSSD should provide sufficient training to staff responsible for the administration of minor equipment inventory to ensure that they are aware of County policies related to minor equipment assets.
2. Ensure that decals are affixed to all minor equipment.

Office of Audits & Advisory Services

C ompliance

R eliability

E ffectiveness

A ccountability

T ransparency

E fficiency

VALUE

## **DEPARTMENT'S RESPONSE**



## County of San Diego

HEALTH AND HUMAN SERVICES AGENCY  
Financial and Support Services Division

NICK MACCHIONE, FACHE  
DIRECTOR

ANDREW PEASE  
EXECUTIVE FINANCE DIRECTOR

1800 PACIFIC HIGHWAY, SAN DIEGO, CALIFORNIA 92101-2417  
(619) 515-6555 Fax (619) 515-6556

October 2, 2013

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TO: Juan R. Perez  
Chief of Audits

OFFICE OF AUDITS &  
ADVISORY SERVICES

FROM: Andrew Pease, Executive Finance Director  
Financial and Support Services Division

### DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: HHSA FINANCIAL & SUPPORT SERVICES DIVISION (FSSD) OFFICERS TRANSITION AUDIT

**Finding I:** Accurate Trust Fund Key Information Would Facilitate the Accountability and Administration of Trust Funds

#### OAAS Recommendation:

To increase efficiency in the administration of trust funds, FSSD should:

1. Ensure that training for the Establishment and Maintenance of Trust and Agency Funds developed by Auditor and Controller's (A&C) and released to County departments in February 2013, is provided to staff responsible for trust fund administration.
2. Continue to work with A&C and identify an appropriate solution to address discrepancies noted on Trust Fund No. 46710.

#### Action Plan:

1. We agree with this recommendation. We are in the process of applying the guidance provided by A&C related to the internal review of establishment and maintenance of trust and agency funds.



Juan R. Perez  
October 2, 2013  
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2. We agree with this recommendation and would like to note that it has been historically difficult to establish new trust funds through A&C office. We are in the process of working with A&C in correcting the conditions related to Trust Fund No. 46710. We have forwarded this audit report to them to support our assertion for our need to open additional trust funds to accurately separate our various funds.

**Planned Completion Date:** December 31, 2013.

**Finding II:** Enhance Controls Over Minor Equipment by Affixing Property Decals

**OAAS Recommendation:**

1. FSSD should provide sufficient training to staff responsible for the administration of minor equipment inventory to ensure that they are aware of County policies related to minor equipment assets.
2. Ensure that decals are affixed to all minor equipment.

**Action Plan:**

1. We agree with this recommendation. Staff is planning to participate in the annual inventory training.
2. We agree with this recommendation. Staff has corrected the specific noted missing decals and have been alerted to ensure that all minor equipment has attached decals.

**Planned Completion Date:** November 2013

**Contact Information for Implementation:**

Jim Lardy, Finance Officer, (619) 338-2278

If you have any questions, please contact me at (619) 515-6548.

Sincerely,



ANDREW PEASE, Executive Finance Director  
Financial and Support Services Division

DS/jl